

Message Text

LIMITED OFFICIAL USE

PAGE 01 NEW DE 07607 081025Z

13

ACTION NEA-16

INFO OCT-01 ISO-00 AGR-20 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SWF-02 PA-04 PRS-01 USIA-15 DRC-01 /173 W

----- 084567

R 071958Z JUN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 1934

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 7607

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIAN FOODGRAIN SITUATION

REF: NEW DELHI 6896

BEGIN SUMMARY - THE SOUTH WEST MONSOON ARRIVED OVER KERALA AND THE EXTREME NORTH EASTERN PARTS OF INDIA DURING THE WEEK ENDING MAY 29. THEY TWENTY-DAY OLD RAILROAD STRIKE ENDED ON MAY 28. THE GOI ON JUNE 6 ESTABLISHED STATUTORILY A CEILING PRICE FOR LEVY-FREE WHEAT AT RS. 150 PER QUINTAL FOR INTER-STATE TRANSACTIONS BY WHOLESALERS. GOVERNMENT'S DOMESTIC PROCUREMENT OF WHEAT THROUGH APPROXIMATELY JUNE 4 TOTALED ABOUT 900,000 TONS AS COMPARED TO 3.3 MILLION TONS PROCURED DURING THE SAME PERIOD LAST YEAR. AT THIS RATE THE GOVERNMENT MAY DO WELL TO PROCURE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 NEW DE 07607 081025Z

A TOTAL OF 2 MILLION TONS DURING THE 1974-75 SEASON. WITH

DRASTICALLY REDUCED WHEAT PROCURMENT THIS YEAR, TOTAL GOVERNMENT FOODGRAIN STOCKS AS OF JULY 1 ARE EXPECTED TO BE LESS THAN LAST YEAR'S LOW LEVEL OF 4.4 MILLION TONS. END SUMMARY.

1. THE MONSOON ARRIVED OVER KERALA IN SOUTH INDIA APPROXIMATELY ON TIME DURING THE WEEK ENDING MAY 29. THE MONSOON ALSO SET IN OVER THE EXTREME NORTHEASTERN PART OF INDIA DURING THE SAME WEEK. IN ADDITION, SEVERAL OTHER AREAS IN THE WESTERN HALF OF THE COUNTRY RECEIVED FAIRLY WIDESPREAD (PRE-MONSOON) RAINS.

2. THE 20-DAY RAILROAD STRIKE, WHICH WAS GRADUALLY WEAKENING WAS UNILATERALLY CALLED OFF BY THE RAILWAY UNIONS ON MAY 28. IT IS EXPECTED, HOWEVER, TO TAKE SEVERAL WEEKS BEFORE PASSENGER AND FREIGHT OPERATIONS RETURN TO NORMAL LEVELS. ALTHOUGH THE STRIKE CAUSED MAJOR DISRUPTIONS IN PASSENGER AND GOODS TRAFFIC, MORE SERIOUS SHORTAGES OF FOODGRAINS WERE PREVENTED DUE TO THE GOI'S STRATEGY OF BUILDING UP STOCKS IN URBAN AREAS IN ANTICIPATION OF THE RAIL STRIKE AND GIVING PRIORITY TO THE MOVEMENT OF FOODGRAINS DURING THE STRIKE.

3. THERE IS A WIDE VARIANCE IN PRICE BETWEEN DIFFERENT WHEAT VARIETIES AS WELL AS BETWEEN MARKETS EVEN WITHIN THE SAME STATE. HOWEVER, WITHIN THE LAST MONTH THERE HAS GENERALLY BEEN A SUBSTANTIAL RISE IN WHEAT PRICES BOTH IN THE SURPLUS PRODUCING AREAS AS WELL AS THE DEFICIT AREAS. FOR EXAMPLE, WHOLESALE PRICES OF WHEAT AT BHATINDA (PUNJAB) ON JUNE 5 RANGED FROM RS. 111 TO 121 PER QUINTAL AS AGAINST RS. 100 TO 110 PER QUINTAL FOR THE SAME VARIETY A MONTH AGO. IN DELHI THE WHOLESALE PRICE OF SSI (INDIGENOUS) VARIETIES OF WHEAT ON JUNE 5 RANGED FROM RS. 195 TO 235 PER QUINTAL, COMPARED TO RS. 155 TO 172 ON SAME DATE A MONTH AGO.

4. THE GOVERNMENTS OF THREE SURPLUS WHEAT-PRODUCING STATES OF UTTAR PRADESH, MADHYA PRADESH, AND RAJASTHAN HAVE ADOPTED VARIOUS MEASURES IN THE LAST 2-3 WEEKS TO INCREASE THEIR DRASTICALLY LAGGING WHEAT PROCUREMENTS. MEASURES THAT HAVE BEEN ADOPTED BY ONE OR MORE OF THESE STATES INCLUDE: RESTRICTIONS ON THE OUTFLOW OF WHEAT FROM SURPLUS DISTRICTS; LOWER LIMITS ON THE QUANTITY OF STOCKS THAT CAN BE HELD BY FARMERS, TRADERS, AND RETAILERS; FURTHER REDUCTION IN THE QUANTITY OF WHEAT THAT CAN BE SOLD IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 NEW DE 07607 081025Z

ONE TRANSACTION; AND PROVIDING ESSENTIAL ITEMS SUCH AS FERTILIZER, CEMENT, CLOTH TO FARMERS AT CONTROLLED PRICES IN RETURN FOR THEIR SELLING WHEAT TO GOVERNMENT PROCUREMENT AGENCIES.

5. THE GOI ON JUNE 6 ISSUED AN ORDER UNDER THE ESSENTIAL COMMODITIES ACT IN WHICH A CEILING PRICE OF RS 150 PER QUINTAL WAS ESTABLISHED FOR INTER-STATE SALES OF WHEAT BY ENTITIES ACTING AS WHOLESALE. THE CEILING PRICE, WHICH IS INCLUSIVE

OF ALL TAXES AND CHARGES UPTO THE POINT OF SHIPMENT IN THE SURPLUS STATES, IS APPLICABLE TO WHOLESALERS IN THE SURPLUS-PRODUCING STATES OF PUNJAB, HARYANA, RAJASTHAN, UTTAR PRADESH, MADHYA PRADESH AND THE UNIN TERRITORY OF CHANDIGARH. THESE STATE GOVERNMENTS HAVE BEEN ADVISED TO TAKE SEPARATE ACTIONS FOR ESTABLISHING WHOLESALE AND RETAIL PRICES IN RESPECT OF WHEAT SOLD FOR USE WITHIN THEIR RESPECTIVE AREAS. A MEETING OF THE REPRESENTATIVES OF DEFICIT STATES HAS BEEN CALLED BY THE GOI AT NEW DELHI ON JUNE 12 TO WORK OUT DETAILS FOR REGULATING OPEN MARKET PRICES IN THEIR AREAS, TAKING INTO ACCOUNT TRANSPORT COSTS FROM SURPLUS AREAS AND OTHER INCIDENTAL CHARGES. EXPLAINING THE GOVERNMENT'S DECISION TO NEWSMEN, THE GOI'S AGRICULTURAL MINISTER AHMED SAID THAT THE GOVERNMENT WAS FORCED TO FIX THE CEILING PRICE STATUTORILY AS THE WHOLESALE WHEAT TRADERS ENGAGED IN INTER-STATE TRANSACTIONS WERE NOT IMPLEMENTING THE VERBAL UNDERTAKING GIVEN BY THEM NOT TO CHARGE MORE THAN RS.150 PER QUINTAL. THE FAILURE OF THE TRADE TO LIVE UP TO ITS PROMISE RESULTED IN A SHARP INCREASE IN THE CONSUMER PRICES OF WHEAT IN URBAN CENTERS AND OTHER DEFICIT AREAS. ANOTHER PROBABLE REASON FOR GIVING STATUTORY BACKING TO THE CEILING PRICE IS TO DISCOURAGE FARMERS FROM STORING WHEAT IN ANTICIPATION OF HIGHER PRICES IN THE FUTURE.

6. DOMESTIC PROCUREMENT OF WHEAT BY THE GOVERNMENT TOTALED ABOUT 900,000 METRIC TONS AS OF APPROXIMATELY JUNE 4, THIS COMPARES WITH A PROCURMENT OF APPROXIMATELY 3.3 MILLION TONS DURING THE SAME TIME PERIOD LAST YEAR. AT THE CURRENT RATE OF PROCUREMENT, THE GOVERNMENT WILL DO WELL TO REACH TWO MILLION TONS DURING THE 1974-75 SEASON (APRIL-MARCH). TOTAL GOVERNMENT WHEAT PROCUREMENT DURING THE LAST THREE YEARS HAS BEEN APPRIMIMATELY 5.1 MILLION TONS IN 1971-72, 5.0 MILLION IN 1972-73, AND 4.5 MILLION IN 1973-74. 7. WITH GOVERNMENT WHEAT PROCUREMENT DRASTICALLY REDUCED FROM LEVELS OF RECENT YEARS, GOVERNMENT FOODGRAIN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 NEW DE 07607 081025Z

STOCKS AS OF JULY 1, 1974 ARE LIKELY TO BE DOWN SOMEWHAT FROM THE ROUGHLY 4.4 MILLION TONS HELD ON JULY 1 OF LAST YEAR AND MAY BE THE LOWEST SINCE JULY 1967. GOVERNMENT-HELD -FOODGRAIN STOCKS AS OF JULY 1 FROM 1967 TO 1972 HAVE BEEN APPROXIMATELY: 1.0, 4.0, 5.5, 5.5, 8.4, AND 8.8 MILLIONS TONS, RESPECTIVELY. THE ANTICIPATED LEVEL OF FOODGRAIN STOCKS THIS JULY LEAVES LITTLE OR NO ROOM FOR CONTINGENCIES. THE ACTUAL LEVEL OF GOVERNMENT STOCKS HELD ON JULY 1 WILL BE DTERMINED PRIMARILY BY THE ADDITIONAL QUANTITY OF WHEAT THE GOVERNMENT CAN PROCURE DURING THE BALANCE OF THIS MONTH AND THE DEGREE TO WHICH THE GOVERNMENT HAS BEEN ABLE TO RESTRICT ISSUANCE OF FOODGRAIN SUPPLIES TO THE PUBLIC DISTRIBUTION SYSTEM.

8. IN A MEETING OF THE CONGRESS WORKING COMMITTEE LAT LAST MONTH, THE STATEMENT WAS MADE THAT IT WOULD NOT BE POSSIBLE TO

DISTRIBUTION LESS THAN 9-10 MILLION TONS OF FOODGRAINS TO THE PUBLIC DISTRIBUTION SYSTEM DURING THE CURRENT YEAR. PREVIOUSLY THE GOI HAS STATED THAT TOTAL RELEASES OF FOOD GRAINS TO THE PUBLIC DISTRIBUTION SYSTEM (INCLUDING THE ROLLER FLOUR MILLS) IN CALENDAR 1973 WERE APPROXIMATELY 11.4 MILLION TONS ALTHOUGH WE BELIEVE THIS FIGURE IS LIKELY TO BE REVISED UPWARD IN THE FUTURE. EVEN WITH A GOOD MONSOON THIS SUMMER AND THE FLOUR MILLERS AND BAKERS NOW OBTAINING THEIR SUPPLIES FROM THE FREE MARKET, WE DOUBT THAT THE TOTAL FOODGRAIN SUPPLIES TO THE PUBLIC DISTRIBUTION SYSTEM CAN BE LIMITED TO 10 MILLION TONS WITHOUT POSSIBLE ADVERSE CONSEQUENCES. THE DIFFERENCE BETWEEN WHAT THE GOVERNMENT CAN PROCURE DOMESTICALLY IN TERMS OF RICE, COURSE GRAINS, AND WHEAT AND THE MINIMUM REQUIRED FOR THE DISTRIBUTION SYSTEM HAS TO BE IMPORTED.

9. IN A SPEECH THE LAST OF MAY BEFORE A GROUP OF WHOLESAL WHEAT TRADERS, STATE MINISTER OF AGRICULTURE SHINDE INDICATED THAT INDIA HAD MAE FIRM CONTRACTS FOR THE PURCHASE OF 3 MILLION TONS OF WHEAT FROM THE US AT VERY FAVORABLE PRICES. ACCORDING TO RUMORS, SHINDE WAS LATER REPRIMANDED FOR MAKE SUCH A STATEMENT DUE TO ITS POSSIBLE EFFECT ON WORLD PRICES. SHINDE PRESUMABLY MADE THE STATEMENT FOR THE PSYCHOLOGICAL EFFECT IT WOULD HAVE ON THE WHOLESAL WHEAT TRADERS. EARLIER THIS WEEK, IT WAS INDICATED THAT THE 3 MILLION TONS REFERRED TO CONTRACTS PREVIOUSLY ENTERED INTO. WE DO, HOWEVER, ANTICIPATE THAT INDIA WILL SEEK SIZABLE ADDITIONAL QUANTITIES OF GRAIN IN THE NEAR FUTURE.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 05 NEW DE 07607 081025Z

MOYNIHAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, AGRICULTURAL PRODUCTION, FOOD SHORTAGE, WHEAT, GRAINS, STOCKPILES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: smithrj
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974NEWDE07607
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740147-0624
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740665/aaaacdtq.tel
Line Count: 202
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: NEW DELHI 6896
Review Action: RELEASED, APPROVED
Review Authority: smithrj
Review Comment: n/a
Review Content Flags:
Review Date: 14 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Aug-2002 by elyme>; APPROVED <20 FEB 2003 by smithrj>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN FOODGRAIN SITUATION
TAGS: EAGR, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005